

ACCOUNTING

Time allowed: 1 ½ hours

Total marks: 100

[N.B.- Figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

		Marks
1	a. Write down the main advantages of bank reconciliation statements. b. Cash Book (bank column) of Andrew Chain revealed Tk. 50,700 (Dr balance) as at 30 June 2013. However, bank statement showed Tk. 57,185 (Cr balance) as at 2 July 2013. On scrutiny, following items were identified: (i) Bank charges Tk. 300 and bank interest Tk. 500 shown in the bank statement on 30 June 2013 had not been entered in the cash book. (ii) Jeffery, a debtor deposited Tk. 4,500 to the bank account directly on 2 July 2013. (iii) Cheque amounting to Tk. 2,000 issued to supplier on 25 June 2013 and posted to cash book had been presented to bank on 1 July 2013. (iv) Dividend amounting to Tk. 500 had been paid direct to the bank on 30 June 2013 and not entered in the cash book. (v) Cheque amounting to Tk. 6,500 sent to bank for collection, though entered in the cash book Tk. 5,600 erroneously, had not been credited by the bank. (vi) Refund warrant, Tk.7,000 for share application in primary market was deposited direct to bank on 29 June 2013 and bank charged Tk.115 as commission (including 15% VAT) for processing the refund warrant. These had not been entered in the cash book. Requirements: (a) Rewrite the cash book for June 2013. (b) Prepare a statement reconciling the revised balance in the cash book with the balance as per bank statement as at 30 June 2013. (c) Which bank balance will appear in the Balance Sheet of Andrew Chain as at 30 June 2013 and why?	4 7 5 5
2	a. "Accounting equation is the basis of double entry accounting"- explain. b. Following equation was followed by a business as at 1 June 2013: Assets= Liability + Owners' Equity Tk. 50,000= 35,000 + 15,000 During June 2013, following transactions were completed: (i) Purchased office equipment for Tk. 25,000. Paid Tk. 5,000 in cash and signed a note payable for the remaining Tk. 20,000. (ii) Purchased goods of Tk. 10,000 on credit. (iii) Paid office rent of Tk. 3,000 for two months (June 2013 and July 2013). (iv) Issued cheque amounting to Tk. 7,500 to supplier on 30 May 2013. However, the cheque was dishonoured due to insufficient fund in the bank account and intimation was received on 02June 2013. Supplier claimed charge of Tk. 500 for delay and business agreed to pay such delay charge. You are required to prepare balance sheet equation as at 30 June 2013 showing the effect of each of the above transactions.	4 10

- 3 a. "Expenses are matched against income in the period to which they relate"- explain the statement with reference to "accrual" and "prepayment". 7
- b. Differentiate between accounting policies and accounting estimates. 5
- c. On 1 July 2010, M/S Albert purchased a Printing Equipment for Tk. 32,000. The Printing Equipment is estimated to have a 5-year useful life with Tk. 2,000 salvage value. Straight-line method has been used to depreciate the assets. M/S Albert incurs Tk. 1,200 every year for ordinary repair and maintenance. On 1 July 2011, M/S Albert incurred Tk. 4,000 for improvement and added to the costs of the printing equipment. On 1 July 2012, M/S Albert decided to extend the useful life of the equipment by another two years because of its excellent condition.
- Requirements:
- (i) Prepare journal entries for depreciation expense for the year ended 30 June 2013 and carrying amount of the equipment as at 30 June 2013. 10
- (ii) What additional information is to be disclosed in the financial statements? 3.
- 4 Simon Smith is an accountant of Creative Playhouse and has a limited knowledge of accounting. Simon prepared the following balance sheet which contains certain errors with respect to Generally Accepted Accounting Principles:

Creative Playhouse Balance Sheet as at 30 June 2013			
Assets	Taka	Liabilities & Owners' Equity	Taka
Cash at bank	20,000	Liabilities:	
Accounts receivable	15,000	Accounts payable	12,400
Office furniture	9,500	Other payables	22,000
Theatre building	35,000	Owners' equity:	
Lighting equipment	42,500	Capital	126,000
Automobile	50,000	Retained earnings	40,100
Office Supplies	3,500		
Other assets	25,000		
Total	200,500	Total	200,500

In discussion with Simon, the following facts are discovered:

(i) Cash at bank balance, Tk. 20,000 includes Tk. 1,000 in Simon's personal savings account.

(ii) Simon explained that Office furniture was purchased on 12 September 2013 for Tk. 15,000. The business paid Tk. 9,500 in cash and issued a note payable for the remaining of the purchase price, Tk. 5,500. As the note is not due until January 2014, it was not included in the company's liabilities.

(iii) Also included in the amount of office furniture, is a computer that cost Tk. 1,500 but was not on hand because it was donated to a local charity.

(iv) The Accounts payable include business debts of Tk. 11,400 and Tk. 1,000 balance of Simon's personal VISA card.

You are required to prepare corrected balance sheet of Creative Playhouse as at 30 June 2013. 20

5. ABC company had the following trial balance as at 31 December 2012:

Particulars	Debit (Tk.)	Credit (Tk.)
Capital 1.1.2012		9,00,000
Bank loan		12,26,000
Freehold land and Buildings	8,60,000	
Accumulated depreciation on freehold land a buildings		40,000
Plant and machinery at cost	16,60,000	
Accumulated depreciation on plant and machinery		4,44,000
Stock	3,80,000	
Sales		53,90,000
Purchases	43,04,000	
Loan interest	20,000	
Wages and salaries	5,08,000	
Drawings	62,000	
Sundry expenses	2,26,000	
Suspense account		8,40,000
Sundry debtors	9,28,000	
Sundry creditors		3,90,000
Cash	2,82,000	
	<u>92,30,000</u>	<u>92,30,000</u>

The following matters have now been discovered:

- (i) On January 01, 2012, the owners of ABC company injected a further Tk.380,000 into the business. The only entry made was to debit cash.
- (ii) On January 01, 2012 an item of plant that had cost Tk.7,00,000 and on which depreciation of Tk.148,000 had been charged was disposed off for Tk.460,000. The only entry made was to debit cash.
- (iii) Depreciation of Tk.72,000 needs to be charged on the remaining plant and machinery and Tk.10,000 on the land and buildings.
- (iv) Loan interest of Tk.20,000 should be accrued at 31 December 2012.
- (v) Stock on hand at 31 December 2012 cost Tk.330,000.

Required:

- (a) Prepare a comprehensive income statement for the year ended 31 December 2012; and
- (b) Balance Sheet as on 31 December 2012.

12
8